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SUBJECT: NIGERIA: NATIONAL ASSEMBLY PASSES 2003 BUDGET

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(B) 01 Lagos 2367
(C) 01 Abuja 997

¶1. Summary. On March 5, Nigeria's National Assembly passed the fiscal year 2003 budget, after increasing allocations by 28 percent with respect to the initial estimates submitted by President Obasanjo. The legislators proposed larger capital expenditures and more funding for the forthcoming elections, especially the budgetary allocations for security and the electoral commission (INEC). $1.8 billion (naira 225 billion) was allocated to service foreign debt. Obasanjo has merely stated that "the government will continue to make debt service payments." Although the President has not signed the bill, we believe he will, if only to sustain executive-legislative comity during the last three weeks preceding the presidential election. End Summary.

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The President's Budget Estimates, Targets, and Priorities
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¶2. President Obasanjo presented the fiscal year 2003 budget to a joint session of the National Assembly on November 19, ¶2002. Total budgetary expenditures were estimated at $6 billion (naira 765.1 billion). Recurrent expenditures were put at $4 billion (naira 508.8 billion) comprising personnel charges ($2.7 billion - naira 343.3 billion) and administrative charges ($1.3 billion - naira 165.4 billion). Capital expenditures were set at $2 billion (naira 256.4 billion). The projected federally-collectible government revenue from crude oil was $8.8 billion (naira 1,120.2 billion), predicated on a crude oil price of $21 a barrel and an OPEC quota of 1.7 million barrels per day.

¶3. Comment. Although these figures in the sentence immediately above were derived from Obasanjo's budget submission speech, the data do not immediately add up. The Presidency estimated that gross federally collectible revenue would total $14.3 billion (1.819 trillion naira) in 2003; this is the revenue to be shared among the federal, state, and local governments. (Reftels provide details on Nigeria's revenue sharing within the federation.) Of this $14.3 billion, the Presidency estimated that $8.8 billion would accrue from crude oil sales. But this figure apparently should be $13 billion (21 x 365 x 1.7 million). Moreover, $8.8 billion equals 62 percent of $14.3 billion whereas the federal government's share of federally collectible revenue is 46.6 percent of total revenue collectible. Forty-six point six percent of $14.3 equals $6.7 billion. The discrepancy may be simply apparent if the difference between $8.8 billion and $6.7 billion is funding for cash calls. This $2.1 billion would comprise the federal government's share of the costs of running the joint venture oil operations. End Comment.

¶4. The President's announced macroeconomic targets included an exchange rate of naira 126 to the U.S. dollar, real GDP growth of 5 percent, inflation at 9 percent, unemployment at 13 percent, and non-oil export growth at 10 percent. Obasanjo's priority is infrastructure: roads, airports, energy and water supply, telecommunications, maritime ports and railways. His other priorities are enhancement of the security environment, revitalization of manufacturing, and promotion of technology, particularly information and communications technology.

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National Assembly's Version of the 2003 Budget
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¶5. More than three months after Obasanjo submitted his 2003 budget to the National Assembly, the legislators passed their amended version of the bill. (Nigeria's

fiscal year is January 1 - December 31.) Their gross expenditures estimate totaled $7.7 billion (naira 976.3 billion), and comprised recurrent expenditures of $4.7 billion (naira 594 billion) and capital expenditures of $3 billion (naira 382.4 billion). The Assembly's estimate of federally collectible government revenue totaled $19 billion (naira 2,433.0 billion), predicated on a crude oil price of $22 a barrel. This $19 billion comprises $16.8 billion in oil revenue and $2.2 billion in non-oil revenue. The national legislature's priorities also include infrastructure, security, and funding for INEC. While the legislators would allocate $1.8 billion (naira 225 billion) to service foreign debt, Obasanjo merely stated in his budget submission speech that "the government will continue to make debt service payments. However, debt payments as a share of government revenue will be in line with the share of expenditures on key social amenities and services."

Why the Change In Budget Estimates?

¶6. On March 13, EconOff met with the Chairman of the House of Representatives Committee on Appropriation, Jubrin Barau. He confirmed that the National Assembly's changes in expenditure estimates were based on its view that Nigeria's roads, electric power, telecommunications facilities, and water supply need to be improved in order to reduce the cost of doing business and attract domestic and foreign investment. This need justified, he said, larger allocations for the Ministries of Water Resources, Power and Steel, and Works and Housing, from $197 million (naira 25.1 billion) to $354 million (naira 45 billion), $241 million (naira 30.6 billion) to $319 million (naira 40.6 billion), and $307 million (naira 38.9 billion) to $464 million (naira 59 billion), respectively.

¶7. Barau asserted that the National Assembly believes--as does the Presidency--that enhancement of personal and physical security should be the government's top priority, especially prevention of political assassinations, in the run-up to the April national, state, and local elections. The Assembly, he said, allocated more funding for INEC to ensure a hitch-free election. The allocation for the police forces was increased from $377 million (naira 47.9 billion) to $519 million (naira 65.9 billion), while INEC's was raised from $15 million (naira 1.9 billion) to $105 million (naira 13.4 billion).

¶8. Barau explained that the National Assembly raised Nigeria's estimated oil reference price to $22 per barrel because the Assembly believes the price of oil will not fall soon below $25 a barrel on the international market. Barau opined that the time lag associated with post-war Iraqi oil's reemergence on the market will keep the price of oil above $22 per barrel for some time. He also asserted that OPEC will modify its quotas during the year to ensure that the price does not fall below $25 a barrel.

Barau's Fears

¶9. Barau disclosed that he shares the public's pessimism that the budget will not be properly implemented following its enactment. (Comment. To Barau, proper implementation of the budget means appropriating and obligating budgetary funds as deemed fit by the National Assembly. Neither the international financial institutions nor we subscribe to this view. Government budget planning in Nigeria is rightly considered an academic exercise, in large part because the state and federal legislatures have encouraged unsustainable budgets. If Barau is pessimistic about the proper implementation of the fiscal year 2003 budget, he and his peers should work to ensure fiscal discipline. End Comment.)

Will the President Sign the Budget?

¶10. Reflecting his deep cynicism, Barau said Obasanjo should sign the budget bill as is. Because elections are fast approaching, he said the President should not repeat last year's disagreement with the National Assembly. Obasanjo could express his reservations later, which could lead to re-prioritization of projects.

¶11. At a press conference on March 18, Magnus Kpakol, the President's Chief Economic Advisor, stated that Obasanjo might not sign the bill before the end of March because the National Assembly and the Presidency are trying to harmonize their budget estimates.

Comment

¶12. Uppermost on the President's mind is winning the April 2003 elections. Obasanjo will thus likely sign the 2003 budget bill to avoid another dispute that could affect his electoral fortunes. Another compelling reason to sign the bill is that the budget is of little significance. What counts are expenditure obligations, and the President has demonstrated, time and again, that he can keep expenditures down when revenue falls short of expectations. Whether he will do this in 2003 is an open question. End Comment.

JETER